



General Assembly

February Session, 2016

Raised Bill No. 404

LCO No. 1636



Referred to Committee on BANKING

Introduced by:
(BA)

***AN ACT CONCERNING MONEY TRANSMISSION IN THE STATE AND
THE FIDUCIARY DUTIES OF MORTGAGE SERVICERS.***

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1 Section 1. Subsection (a) of section 36a-597 of the general statutes is
2 repealed and the following is substituted in lieu thereof (*Effective July*
3 *1, 2016*):

4 (a) No person shall engage in the business of money transmission in
5 this state, or advertise or solicit such services, without a license issued
6 by the commissioner as provided in sections 36a-595 to 36a-612,
7 inclusive, except as an authorized delegate of a person that has been
8 issued a license by the commissioner and in accordance with section
9 36a-607. A person [shall be deemed to be] is engaged in the business of
10 money transmission in this state if such person: (1) Has a place of
11 business [in] located within this state, (2) receives money or monetary
12 value in this state or from a person located in this state, (3) transmits
13 money or monetary value from a location in this state or to a person
14 located in this state, (4) issues stored value or payment instruments
15 that are sold in this state, or (5) sells stored value or payment

16 instruments in this state. The licensee shall promptly notify the
17 commissioner, in writing, of the termination of the contract between
18 such licensee and authorized delegate.

19 Sec. 2. Section 36a-716 of the general statutes is repealed and the
20 following is substituted in lieu thereof (*Effective July 1, 2016*):

21 (a) Any mortgage servicer who receives funds from a mortgagor to
22 be held in escrow for payment of taxes and insurance premiums shall;
23 [pay]

24 (1) Deposit such funds in one or more separate trust accounts
25 maintained at a federally insured bank, Connecticut credit union,
26 federal credit union or out-of-state bank that maintains in this state a
27 branch as defined in section 36a-410;

28 (2) Reconcile each trust account on a monthly basis. For purposes of
29 this section, "reconcile" means maintaining records in accordance with
30 generally accepted accounting principles for each trust account that
31 clearly identify (A) the amounts and dates of all escrow payments
32 made by the mortgagor, and (B) all remittances made on behalf of the
33 mortgagor for the payment of taxes and insurance premiums, for not
34 less than two years after the date of the final entry of activity on the
35 account;

36 (3) Under no circumstances commingle funds of the mortgage
37 servicer or use such funds in the conduct of the mortgage servicer's
38 business;

39 (4) Use each trust account solely for the purposes of (A) the deposit
40 of funds received from the mortgagor, and (B) the payment of taxes
41 and insurance premiums;

42 (5) Reimburse the mortgagor for any service charge or other fee
43 imposed by the bank or credit union against the trust account for the
44 withdrawal of funds by depositing into the trust account the amount

45 of such charge or fee not later than thirty days after the date of
 46 withdrawal;

47 (6) Pay the taxes and insurance premiums of the mortgagor to the
 48 appropriate taxing authority and insurance company in the amount
 49 required and at the time such taxes and insurance premiums are due
 50 provided [(1)] (A) the mortgage servicer has been provided with the
 51 tax or insurance bills at least fifteen days prior to the date such taxes
 52 and insurance premiums are due, and [(2)] (B) the mortgagor has paid
 53 to the mortgage servicer the amounts required to be paid into the
 54 escrow account, as determined by the mortgage servicer, for all
 55 amounts scheduled to be paid to the mortgage servicer prior to the
 56 date such taxes and insurance premiums are due.

57 (b) Each mortgage servicer shall, through its own effort and
 58 expense, determine and notify the mortgagor of the amounts necessary
 59 to be paid into the escrow account to [assure] ensure that sufficient
 60 funds will be available for the payment of such taxes and insurance
 61 premiums as of the date such payment is due.

62 (c) If the amount held in the escrow account as of the date such
 63 taxes and insurance premiums are due is insufficient to pay the taxes
 64 and insurance premiums despite compliance by the mortgagor with
 65 [subdivision (2)] subparagraph (B) of subdivision (6) of subsection (a)
 66 of this section, the mortgage servicer shall pay such taxes and
 67 insurance premiums from its own funds. The mortgage servicer shall
 68 then give the mortgagor the option of paying the shortage over a
 69 period of not less than one year. The mortgage servicer shall not
 70 charge or collect interest on such shortage during the one-year period.

This act shall take effect as follows and shall amend the following sections:		
Section 1	<i>July 1, 2016</i>	36a-597(a)
Sec. 2	<i>July 1, 2016</i>	36a-716

Statement of Purpose:

To (1) clarify what constitutes activity occurring within this state in the context of money transmission and debt negotiation services; and (2) require that moneys received by mortgage servicers from mortgagors for the payment of such mortgagors' taxes and insurance premiums are deposited into a separate trust account and not commingled with other funds of the servicer.

[Proposed deletions are enclosed in brackets. Proposed additions are indicated by underline, except that when the entire text of a bill or resolution or a section of a bill or resolution is new, it is not underlined.]